

Arlington Finance Committee Recommendation Minuteman Building Project Article 6 Special Town Meeting

The Town of Arlington has been a member of Minuteman Regional Vocational Technical School District since the mid 1970's. Most people consider it a valuable part of the educational mix offered to our students. However, since the mid 1980's, it has struggled to fill its building, which was constructed for over 1,000 students. When the "choice" program became available, it was able to bring in large numbers of students, but revenue was only \$5,000 per student compared to costs over \$15,000 per student at the time. That program was discontinued by the district in the late 1990's. The other option to attract out of district students was Chapter 74, which allowed students from out of district whose home town did not offer the program they wanted to leave their own district and attend schools like Minuteman. This program provided a reasonable amount of tuition revenue to support the programs, and enrollments averaged 747 students over the last 15 years (see page 4).

In 2010, when the school was planning a major renovation or rebuild, the District School Committee decided to look at several options, including a significant downsizing of the building capacity. One of the major reasons for this involved the protests from many member towns that the members will pay for the new building while the out of district students' sending municipalities would pay none of the capital costs. Because of these local concerns, the Superintendent worked to have the Commissioner of the Department of Elementary and Secondary Education adopt a policy whereby non member towns would pay their share of capital construction costs. To be safe, the District School Committee decided to downsize the new building to a capacity of 628 students. It could not be downsized much further, because the Massachusetts School Building Authority (MSBA) would not fund a vocational school building for less than 600 students.

Unfortunately, the Commissioner of the Department of Elementary and Secondary Education also issued another regulation during the last year, that 9th graders could not attend an out of district school if their own school or a district to which they belonged offered an exploratory program with at least 5 vocational options. This will deal a significant blow to Minuteman's out of district student population, and the significant increase in out of district tuition (from the new capital costs) could lower those numbers even more as cities and towns try to dissuade their students from going to Minuteman. Thus, to a large degree Minuteman will have to depend on students from its own district which, will soon be reduced from 16 towns to 10. Fortunately, virtually all of the leaving towns send very few students.

So how does the new Minuteman make up for these lost students. Their response, which the Minuteman Superintendent will discuss at Town Meeting, is threefold: 1. They are rolling out a new recruiting strategy to convince parents and students that their new and existing technical programs are a perfect stepping stone for students seeking to go on to study science and technology at the college level. They would also be able to go directly to a well paying job to help pay those college costs. 2. The new building is constructed for programs that the current building simply cannot provide adequately. 3. A new modern up-to-date building will attract many new students and parents turned off by the old 1970's style school, which we agree has many problems. Whether these will be sufficient to fill the building is the great unknown of this complex issue.

But the risks mentioned above are not the only ones to consider. If this project is turned down by its members, there is a significant possibility that the MSBA, which is funding approximately \$44 million of this \$144 million dollar project, will walk away and shift that funding to other facilities. If that happens, the 10 towns in the district will be saddled with the cost of renovating a largely obsolete building. How much will this cost? The Minuteman building committee estimates that it will cost approximately \$100 million to renovate the building, fix systems and roofs that need work and bring the building up to current building codes. They argue that when done, the district will still have an obsolete building for modern programs. Our representative on the committee argued that alternatives were not investigated and that the committee was pushing for a new building from the start. The rest of the committee disagrees. Is there a cheaper renovation alternative? We don't know, but a 40 year old school building takes a lot of abuse, and the roof alone needs replacement very soon. We are facing the same issues with Arlington High School.

The Finance Committee is recommending that we endorse the project as proposed by Minuteman, because the risks of not proceeding outweigh the risks of stopping the project and starting all over again. We do not know if there is a cheaper renovation alternative. Renovating a building while students attend classes is rarely a good thing to do. We do not know what the MSBA will do, but if the project is rejected the chances are that we will have to start the process all over again. Meanwhile, the Minuteman district will have to recruit students to an old building, and manage without the vast majority of its out of district students. It could put the district into a financial tail spin. In a worst case scenario, for most of the other towns in the district, the dissolution of Minuteman would not be an overwhelming issue. They could find alternatives for their one to forty students without a huge problem. Arlington with its 140 students would face a far more serious challenge.

The vote that we are recommending to you is contingent on a debt exclusion scheduled for June 14th. The operating budget cannot absorb the impact of this substantial project. On pages 5 and 6 of this handout, spreadsheets demonstrate the impact on the taxpayer. It ranges from \$75 per year for a median single family house if the school maintains 170 out of district students to \$103 if all of the students are from the district and Arlington sends 34% of the students. The numbers will be higher if we send a higher percent and lower with a lower percent. The financial impact described above would have been even greater if the regional agreement had not been amended earlier this year. One of the core changes included in the new regional agreement was a capital allocation formula that benefited Arlington.

Let me end with a story about what happened to the Arlington High School renovation in the 1970s. The original proposal involved the replacement of several older structures with new construction so the buildings could tie together well. It also involved the creation of a field house and swimming pool for the school. The State would have paid over 60%. Twice citizens took the proposal to referendum to block it. Both times the building project was defeated. The school committee went back to the drawing board and 2 years later came back with a renovation only proposal which finally passed without being blocked by referendum. State reimbursement had dropped, inflation had raised the cost, and we ended up with the current high school with all of its problems for a higher cost to the taxpayer. I can't say that will happen here, but I think it is a significant possibility.

The recommended vote of the Finance Committee is on the following page.

Allan Tosti
Chair, Arlington Finance Committee

The recommended vote (10-8) of the Finance Committee is as follows:

VOTED: That the Town hereby approves the \$144,922,478 borrowing authorized by the Minuteman Regional Vocational Technical School District (the "District") on March 15, 2016, for the purpose of paying costs of designing, constructing and originally equipping a new district school to be located at 758 Marrett Road, Lexington, Massachusetts, including the payment of all costs incidental or related thereto (the "Project"), which school facility shall have an anticipated useful life as an educational facility for the instruction of school children of at least 50 years, and for which the District may be eligible for a school construction grant from the Massachusetts School Building Authority ("MSBA"), said amount to be expended at the direction of the School Building Committee; that the Town acknowledges that the MSBA's grant program is a non-entitlement, discretionary program based on need, as determined by the MSBA, and any Project costs the District incurs in excess of any grant approved by and received from the MSBA shall be the sole responsibility of the District and its member municipalities; that any grant that District may receive from the MSBA for the Project shall not exceed the lesser of (i) forty-four and seventy-five hundredths percent (44.75%) of eligible, approved project costs, as determined by the MSBA, or (ii) the total maximum grant amount determined by the MSBA; and that the amount of borrowing authorized by the District shall be reduced by any grant amount set forth in the Project Funding Agreement that may be executed between the District and the MSBA. This approval shall be conditioned upon a successful vote of the Town to exempt its allocable share of debt service on this project from the limitation on total property taxes set forth in M.G.L. c. 59, s. 21C (also known as Proposition 2 1/2).

15 YEAR HISTORICAL ENROLLMENT - OCTOBER 1 DATA

TOWN	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Acton	42	38	38	34	37	36	33	28	23	31	30	21	26	30	33
Arlington	132	133	160	162	173	169	150	135	131	115	139	139	165	152	120
Belmont	28	26	30	31	34	24	31	33	38	41	41	34	31	31	26
Bolton	11	14	17	11	11	7	11	11	7	10	10	10	11	10	9
Boxborough	10	8	14	14	14	12	12	13	14	16	8	6	5	5	7
Carlisle	5	7	10	11	9	8	7	8	8	5	7	9	12	8	5
Concord	15	11	21	22	25	27	20	24	26	22	18	10	7	16	17
Dover	3	2	1	4	4	3	1	0	1	1	2	2	1	3	2
Lancaster	25	30	35	41	32	28	29	26	27	23	19	22	27	32	39
Lexington	46	41	42	45	52	54	67	81	79	89	68	65	52	42	51.5
Lincoln	5	7	8	11	8	5	4	2	3	4	4	4	6	6	11
Needham	25	21	28	44	38	29	18	19	17	26	34	27	35	24	25
Stow	45	48	58	58	49	44	40	25	25	29	23	26	22	19	13
Sudbury	17	19	20	18	18	12	11	13	10	18	11	18	22	25	25
Wayland	5	9	7	10	8	18	18	18	19	12	13	12	11	4	2
Weston	4	2	3	6	8	3	3	2	2	3	3	4	4	3	5
Total Member Towns	418	416	492	522	520	479	455	438	430	445	430	409	437	410	390.5
Non-Member Towns	379	343	303	270	254	245	245	260	250	309	355	340	356	332	277
TOTAL	797	759	795	792	774	724	700	698	680	754	785	749	793	742	667.5

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**Minuteman Regional High School
Projected FY20 Revenue Plan and Assessments
New School Building Project**

Revenue Plan	FY20 PROJECTED	REVISED AGREEMENT	Min. Rec. Contribution	Transportation Assessment	Other Operating Assessment	Debt/Capital	Total Assessments
Non-Assessment Revenue		Acton	583,156	92,042	296,423	368,113	1,339,734
Chapter 70 State Aid	2,518,090	Arlington	2,073,156	327,216	1,053,802	1,415,962	4,870,136
Transportation Reimbursement	635,907	Belmont	502,945	79,382	255,651	372,613	1,210,591
Non-Member Tuition	3,384,228	Bolton	156,643	24,724	79,623	130,005	390,995
Non-Member Capital Fee	1,440,365	Boxborough	-	-	-	4,956	4,956
E & D Contribution	100,000	Carlisle	-	-	-	4,956	4,956
Total - Non-Assessment Revenue	8,078,590	Concord	338,746	53,466	172,187	311,821	876,220
		Dover	19,820	3,128	10,075	64,579	97,602
Assessment Revenue		Lancaster	637,907	100,684	324,253	387,349	1,450,192
Minimum Required Contribution	6,043,416	Lexington	1,051,635	165,984	534,554	747,048	2,499,221
Transportation	953,860	Lincoln	-	-	-	8,921	8,921
Debt	4,380,968	Needham	434,068	68,511	220,640	344,571	1,067,790
Assessments over Minimum Contribution	3,071,917	Stow	245,340	38,723	124,708	186,372	595,144
Total = Assessment Revenue	14,450,161	Sudbury	-	-	-	21,807	21,807
		Wayland	-	-	-	4,956	4,956
		Weston	-	-	-	6,939	6,939
Total Budget	22,528,751	Total	6,043,416	953,860	3,071,917	4,380,968	14,450,161
Assumptions:							
Debt Service effective FY20		Tax Rate Impact - New School Building Project					
Projected Enrollment		2014 Census	Median Home Value	Projected Debt Assessment	Residential Tax Impact	Estimated Tax Impact Per Med. House	Estimated Tax Impact Per \$100,000
(8% annual increase District enrollment - 10/1/17 & 10/1/18)		Member Town					
In-District	458	Acton	502,000	324,179	\$0.0804	\$40.34	\$8.04
Out-of-District	170	Arlington	507,200	1,262,192	\$0.1483	\$75.19	\$14.83
	628	Belmont	656,000	334,459	\$0.0507	\$33.25	\$5.07
Inflation Rate - 2% Annually (FY18 to FY20)		Bolton	470,800	118,443	\$0.1267	\$59.66	\$12.67
For Foundation Budget, Transportation & Operating Assessment		Concord	688,300	285,229	\$0.0488	\$33.61	\$4.88
Transportation Reimbursement = 60%		Dover	945,100	63,423	\$0.0268	\$25.33	\$2.68
<i>This model uses the formulas as required in the Revised Agreement and valid within the assumptions as disclosed.</i>		Lancaster	288,400	341,102	\$0.4055	\$116.93	\$40.55
<i>This is prepared in response to requested information by member towns and the assumptions used must be considered when analyzing projected future costs to each member town.</i>		Lexington	710,600	665,537	\$0.0518	\$36.84	\$5.18
<i>Five year model used to align with expected enrollment and debt planning. Subject to change as required.</i>		Needham	668,900	312,198	\$0.0262	\$17.50	\$2.62
		Stow	444,700	167,874	\$0.1400	\$62.24	\$14.00
		Total - Debt		3,874,635			

**Minuteman Regional High School
Projected FY20 Revenue Plan and Assessments
New School Building Project**

Assumes Total Enrollment of 628 In-District Students - 34.3 Percent of Students from Arlington

<u>Revenue Plan</u>	<u>FY20 PROJECTED</u>	<u>REVISED AGREEMENT</u>	<u>Min. Reg. Contribution</u>	<u>Transportation</u>	<u>Other Operating Assessment</u>	<u>Debt/Capital</u>	<u>Total Assessments</u>
<u>Non-Assessment Revenue</u>		Acton	799,986	92,044	315,880	489,765	1,697,675
Chapter 70 State Aid	3,454,311	Arlington	2,843,473	327,161	1,122,766	1,891,302	6,184,702
Transportation Reimbursement	635,907	Belmont	689,729	79,358	272,344	497,525	1,538,956
Non-Member Tuition	(509)	Bolton	214,711	24,704	84,780	174,484	498,680
Non-Member Capital Fee	(217)	Boxborough	-	-	-	3,717	3,717
E & D Contribution	100,000	Carlisle	-	-	-	3,717	3,717
Total - Non-Assessment Revenue	4,189,492	Concord	465,069	53,509	183,636	417,736	1,119,951
		Dover	27,357	3,148	10,802	88,752	130,059
<u>Assessment Revenue</u>		Lancaster	875,425	100,724	345,668	517,386	1,839,202
Minimum Required Contribution	8,290,346	Lexington	1,442,461	165,965	569,566	994,105	3,172,098
Transportation	953,860	Lincoln	-	-	-	6,691	6,691
Debt	5,821,550	Needham	595,223	68,484	235,028	461,642	1,360,377
Assessments over Minimum Contribution	3,273,503	Stow	336,912	38,764	133,032	249,448	758,156
Total = Assessment Revenue	18,339,259	Sudbury	-	-	-	16,357	16,357
		Wayland	-	-	-	3,717	3,717
		Weston	-	-	-	5,204	5,204
Total Budget	22,528,751	Total	8,290,346	953,860	3,273,503	5,821,550	18,339,259

Assumptions:

Debt Service effective FY20		Tax Rate Impact - New School Building Project					
Projected Enrollment		2014 Census	Member	Town	Projected	Residential	Estimated
(8% annual increase District enrollment - 10/1/17 & 10/1/18)		Median Home Value	Home	Debt Assessment	Tax Impact	House	Estimated
In-District	628					Per Med.	Per \$100,000
Out-of-District	0						
	628						
Inflation Rate - 2% Annually (FY18 to FY20)							
For Foundation Budget, Transportation & Operating Assessment							
Transportation Reimbursement = 60%							
<i>This model uses the formulas as required in the Revised Agreement and valid within the assumptions as disclosed.</i>							
<i>This is prepared in response to requested information by member towns and the assumptions used must be considered when analyzing projected future costs to each member town.</i>							
<i>Five year model used to align with expected enrollment and debt planning. Subject to change as required.</i>							